In a nonhub location where there doesn't exist this asynchronous multiplexing, there is different type of equipment, maybe more modern equipment. Why can't Verizon use that to provide multiplexing to CLECs?

MR. ALBERT: In the hubs, the stuff with the modern cross-connects are the ones with the hubs. And if they don't, they don't have minor cross-connects. There we jump off for three-to-one MUXing with the async multiplexors.

MS. DAILEY: Does Verizon do DS1 to DS3 multiplexing for itself at its nonhub locations?

MR. ALBERT: Using these asynchronous multiplexors, we carry our own traffic on those in the nonhub locations.

MS. DAILEY: Do you ever do it without an asynchronous--

MR. ALBERT: No, we didn't. In the nonhub location, we do not have digital cross-connect machines.

MS. DAILEY: But you don't need a digital cross-connect for yourself. I'm asking whether you

do it for yourself in the nonhub location, the DS1 to DS3 multiplexing.

MR. ALBERT: Yes, using asynchronous multiplexors in the nonhubs.

MR. STANLEY: Maybe I could ask AT&T witnesses to help out here.

MR. SCHELL: If I could, I would just like to make one point that I think crystallizes this, and I won't draw on the chart, but I will point to it. Verizon has said that AT&T or CLECs could order DS3s or DS1s to any Verizon office. So, let's just take the hypothetical that AT&T said, all right, I want you to provide DS3 for me, Verizon, from my point here, point of interface to central office A. Verizon says, okay, I could provide that for you.

Then I asked Verizon to multiplex it for me. Sorry, I can't do that.

But they will sell me a DS1 riding the same DS3 using their multiplex in this office. There is no other way for them to get to DS1 here other than to provision a DS3 from our point of

interface, our POI, central office A, put a multiplexor on it, pull a T-1, DS1 signal off and put it into their switch.

But if I say I want to purchase the DS3 because I have enough DS1 requirements to make that cost-effective for me, and I want you to provide multiplexing, sorry, I can't do that. It is illogical.

MR. STANLEY: Could I ask the question I asked about five minutes ago. It never got answered. Let me try one more time.

In a nonhub location where Verizon has multiplexing equipment but not necessarily this asynchronous three-to-one multiplexor, and where Verizon does three-to-one multiplexing for itself, if a CLEC wants to order three-to-one multiplexing in that nonhub location, why can't Verizon provide it? Is it because the equipment technically can't perform that, or is it because ordering conventions haven't been developed yet for that? Is there something else?

MR. ALBERT: That's what I was describing

when I said I had a proposal that if they were to order that, we would install dedicated async multiplexor for them.

MR. STANLEY: Let me stop you there. Why would you have to install a new separate multiplexor? Why couldn't you use the existing multiplexing equipment?

MR. ALBERT: Because on a rare occasion there might be a fully spare asynchronous multiplexor there, and I say rare occasion because for the most part we are retiring those out of the network as we free them up. The other ones would have some quantity of DS1s already working on them, with the working DS3 coming out of them.

So, with the ability on that piece of hardware to only have a single DS3 coming out of it, there's not room for another carrier for a CLEC to use that piece of equipment for another DS3. You have to put in a dedicated async three-to-one MUX, which gives them the full DS3 as well as the subtending DS1s. When they order that level of multiplexing, you can't share a multiplexor of

ours, three-to-one, with what they are ordering because they're not getting the full capacity of what they would have been ordering.

MR. GOYAL: I would like to move now to issue V-1, which relates to competitive tandem service. The first thing I would like to clarify from both parties is whether there is any language or underlying substantive dispute that's different between V-1 and V-8. Mr. Talbott?

MR. TALBOTT: There are two issues here because first issue is a threshold issue as to whether any terms whatsoever for competitive tandem service will appear in the agreement. And if the Commission decides that is the case, then there is a second issue as to whether the functions that Verizon provides under those terms would be at UNE rates or exchange access rates.

So, issue V-1, I believe, is with respect to are the--UNE rates and V-8 is, are there going to be terms whatsoever for this arrangement in the contract.

MR. GOYAL: Thank you.

MR. TALBOTT: V-8 would be the matter we would take up first, you would think, as the threshold matter.

MR. GOYAL: Of the Verizon witnesses, which witness would be most familiar with this issue? Mr. D'Amico?

Mr. D'Amico, is it Verizon's position that CLECs should or should not be able to use UNEs for the provision of exchange access services?

MR. D'AMICO: Regarding this issue?

MR. GOYAL: Yes.

MR. D'AMICO: They should not. As far as breaking this down into two issues, I guess addressing the threshold issue, Verizon's position is this is a service that's offered in the access tariff, and therefore it should not be included in the agreement. And because it's in the access tariff, appropriate access rates should apply.

MR. GOYAL: Setting aside the question of whether or not UNEs would be involved, would Verizon agree that AT&T or any CLEC has the right to provide services as an exchange access carrier?

In other words, the right to provide exchange access service?

MR. D'AMICO: Yes, for their customer, retail customers.

MR. GOYAL: How would a CLEC provide exchange access service absent building out its own local network to end users? Did that question not make sense?

MR. D'AMICO: No. Sorry.

MR. GOYAL: How would Verizon envision the typical CLEC providing exchange access services?

MR. D'AMICO: Typically, what happens is the CLECs have their customers and their customers are making long-distance phone calls, and in order for those retail customers of the CLEC to get to the interexchange carrier that they are picked to, that traffic would go over the access toll connecting trunk groups, and then switched through Verizon's tandem, and then go to the interexchange carrier. And then Verizon and AT&T, the CLEC, would do meet-point billing to the interexchange carrier.

MR. GOYAL: So, if I understand Verizon's position correctly, CLECs would be allowed, under Verizon's proposal, to use leased dedicated facility from Verizon providing exchange access services, and Verizon proposes however they do so out of access tariffs rather than as UNEs; is that correct?

MR. D'AMICO: Well, as far as an access toll connecting trunk, there could be UNEs involved within their infrastructure behind their cage, for example. And in this example, it's really AT&T is going through the interexchange carriers as the smaller-tiered interexchange carriers, saying "I have a tandem aggregation type service," and they would connect AT&T, and AT&T would use its access network out of the FCC number one tariff.

Did I stray off the farm?

MR. GOYAL: I suppose I'm a little bit confused. Why would it be okay for AT&T to provide exchange access services with UNEs in some part of its network but not using UNE interconnection trunks?

MR. D'AMICO: The difference is when they're providing exchange access service, they're providing it to their customers, and so therefore they're buying infrastructure from Verizon.

When it comes to this competitive tandem service, they're providing service to interexchange carriers.

MR. GOYAL: Mr. Talbott?

MR. TALBOTT: I completely disagree with Mr. D'Amico's answer. For exchange access, the customer is always the interexchange carrier, and the end user in this case, whether they be AT&T local customer or Verizon local customer, with respect to exchange access, is a customer of the long-distance carrier. So, since the long-distance carrier is the party who is paying the exchange access charges, shouldn't they, as the customer here, have the right to determine how they would like their exchange access handled? Shouldn't the customer who is paying the bill, the interexchange carrier, have the choice of who is going to provide them exchange access, to the extent it's feasible

for there to be a choice?

The end user in this case, which network the end user has chosen shouldn't be a factor in this decision.

MR. GOYAL: Okay. That's all I have on V-1 and V-8.

MR. DYGERT: Could I circle back to this multiplexing at a nonhub office one more time because I think that we are still--there's something we are not understanding or we are missing part of your answer, Mr. Albert, or something.

When you have a nonhub central office where Verizon is providing three-to-one multiplexing for itself, first at nonhub central offices does Verizon provide three-to-one multiplexing for itself?

MR. ALBERT: Yes. Different levels of multiplexing are provided in all central offices.

MR. DYGERT: So, when Verizon provides three-to-one multiplexing for itself at a nonhub office, does it ever use something other than an

asynchronous three-to-one multiplexor?

MR. ALBERT: For doing three-to-one? No. That's the piece of equipment that does that.

MR. DYGERT: So, whenever Verizon is multiplexing DS3 to DS1 service at one of its nonhub central offices, it uses only what you have referred to as asynchronous three-to-one multiplexors?

MR. ALBERT: Correct.

MR. DYGERT: That's what I wanted to know.

MR. ALBERT: There are other multiplexors that will step down from higher SONET levels down to a DS1.

MR. DYGERT: But if it's--

MR. ALBERT: There are SONET OC3 multiplexors that will step directly from that interface to a DS1, which we use as the equipment we put in new for most of our interoffice circuits that we are building new going forward.

So, there is a difference--you got to be real precise, and in this portion of the contract that's trunk ordering that we are dealing with, and

it's important to be precise--we are not dealing with multiplexing in general. We are dealing with a very specific type of multiplexing that's used very specifically for ordering of trunks. And this is not OC3 down to a DS1 multiplexing.

MR. DYGERT: We understand where you are now.

MR. ALBERT: Okay. We get those DS1s out of our offices for the most part by stepping straight up to the SONET MUXes.

MR. DYGERT: Thank you.

MR. ALBERT: Different subtype of multiplexing.

MR. GOYAL: Actually, since we are on the subject of OC level, I want to ask Mr. Albert some housekeeping questions.

I believe you mentioned in your testimony during AT&T's cross-examination that Verizon does have OC48 deployed at interoffice facilities in their network currently.

MR. ALBERT: That's correct.

MR. GOYAL: Is that OC48 used for

interoffice transport in the same fashion as OC12 is?

MR. ALBERT: Yeah. For point in time, the OC12s were the largest size fiber MUXes available, and we used those for the main drag capacity additions on our interoffice facility routes.

Last two or three years the OC48s have been out, and they're almost exclusively what we use now for our high capacity interoffice routes.

MR. GOYAL: Thank you.

I would like to turn now to issue V-2, which deals with interconnection transport.

Mr. D'Amico, is this the issue you would be the expert on?

MR. D'AMICO: Yes.

MR. GOYAL: Am I correct in understanding Verizon's position to be that a CLEC in this case, AT&T, should not be able to purchase interconnection transport at UNE rates if it does not co-locate in the office to which it interconnects?

MR. D'AMICO: Yes. There needs to be a

co-location cage involved in order to purchase UNE IOF.

MR. GOYAL: Is it Verizon's position that if there were no co-location in the office switch the CLEC interconnects, the CLEC would be essentially obtaining new UNE or a new UNE combination?

MR. D'AMICO: Yes. In other words, if we were to provide it without a cage that it would be a new UNE combo, yes.

MR. GOYAL: Would you explain the particular UNE pieces of that UNE combination.

MR. D'AMICO: I will give it a shot. Some of this UNE stuff gets a little complicated, and I have kind of a high-level knowledge of it.

Let me start first with a regular UNE IOF. My understanding is that they could either purchase UNE IOF from a cage to a cage, so two AT&T cages there would be UNE IOF, or they could go from a cage back to their switch. In that case it would be UNE IOF, and it would go right into their POI. So, in this example--so, using that in that diagram

up there, Verizon Exhibit 59, the CLEC could get to central office A to their cage by purchasing UNE IOF from that cage back to their switch.

MR. GOYAL: Just to clarify my question, I believe I was asking about the situation where the CLEC does not employ a co-location cage at the office which it seeks interconnection.

MR. D'AMICO: Right.

MR. GOYAL: And I was looking for an explanation of the UNE-P's part that comprised the UNE combination that would result if the CLEC purchased interconnection to a central office without co-locating there.

MR. D'AMICO: I was trying to build my foundation.

So, if you do the same thing and you go from the CLEC POI right into the Verizon switch and basically eliminate the cage, you're combining UNE IOF and some ports, trunk ports, some cross-connects.

MR. GOYAL: Which of those are UNEs?

MR. D'AMICO: The connection that would

normally take place from the cage into the Verizon switch is a cross-connect. So, by taking the cage out, you're forming a new combination, which would get you from the CLEC POI right into the Verizon switch.

MR. GOYAL: Does AT&T agree that the cross-connect between the CLEC co-location cage and the Verizon switch is a UNE?

MR. TALBOTT: No.

MR. GOYAL: I'm sorry, Mr. D'Amico, why don't we do it this way: Why don't you list the pieces of that UNE combination, all of them that you regard as UNE comprising that UNE combination, and I will direct the same question to AT&T.

MR. D'AMICO: All right. I guess it would be the UNE IOF, a switch port and, I guess, a loop. So, it would go from the Verizon switch into the switchboard of--the Verizon switch would have a switchboard and the UNE IOF, and there would be a loop involved.

MR. GOYAL: Would AT&T be purchasing that local loop as an unbundled local loop?

MR. D'AMICO: In this example, we are saying that's a combination?

MR. GOYAL: Yes.

MR. D'AMICO: That's what we are saying. Because there is no co-location cage involved, the way they are accessing Verizon's network in order to purchase unbundled network elements, there is no separation, if you will.

MR. GOYAL: Whose customer would be at the end of that loop? Would that be an AT&T end user or Verizon end user?

MR. D'AMICO: I'm using a loop term loosely.

This would be from the last serving office to the Verizon--I'm sorry, from the last Verizon central office to the CLEC POI.

MR. GOYAL: That would be a loop?

MR. D'AMICO: Loop like, I guess. I'm not sure what that would be. That's why I'm saying that there's kind of a defined process for UNE IOF. Even though they could order UNE IOF and go through the appropriate handoff points, they're trying to

combine or put them all together and to say I want an end-to-end service, but I want it priced at UNEs, and that's what we are saying is not defined. That's why I have trouble picking out the piece parts because I'm not sure of what it is.

MR. GOYAL: Of the piece parts Mr. D'Amico just named, which of those would AT&T agree is a UNE?

MR. TALBOTT: First off, Mr. D'Amico's answer mixed trunks and dedicated transport into a single thing, which I wouldn't know what it is either. The contract under the network interconnection says the parties have a menu of methods by which they may provide the transport necessary over to which trunks would be provisioned on to.

So, we are not talking at this moment about trunks. We are talking about one of the methods that would be available to AT&T to provide transport between two points. And we have agreed already we could order out of the access tariff. AT&T could self-provision. And what AT&T is

wanting is one more item added to that menu which we believe we should, and that is dedicated transport priced at UNE rates.

Under the Commission's own rules, CFR 51 319, it defines what dedicated transport is, and it could be between a CLEC office and a Verizon office. And AT&T simply wants the option to order that dedicated transport and then, subsequent to having that, we could place a trunk order over which that trunk would be provisioned.

The trunk port which Mr. D'Amico is referring they would recover under their reciprocal comp rate for terminating the traffic. So, under Mr. D'Amico's proposal they would be double recovering for the switch port, once under the recip comp rate and once under this new UNE combination, which I think is completely unnecessary.

MR. GOYAL: I'm sorry. Could you also address individually the other piece parts that were named.

MR. TALBOTT: The loop, there is no--as

you said, there is no--because there is no customer on the end. We are looking to have dedicated transport provided between two central offices, and in most nearly every AT&T central office, Verizon already has fiber optic SONET equipment in there to provide other services to AT&T so--and for the most part it wouldn't need to create a new system for providing this dedicated transport as an unbundled network element. It's already present. We want them to make available to us solely for interconnection. We are not asking it for other purposes in this case--just for interconnection trunking purposes--that that transport should be provided under unbundled network element rate.

MR. GOYAL: Just to clarify, the interconnection transport covered under AT&T's proposed language under this issue would not be used as part of the loop transport combination or enhanced extended line; is that correct?

MR. TALBOTT: That's correct. This section of the agreement is dealing solely with the exchange of traffic.

MR. GOYAL: I think that's all I have for V-2.

I would like to move to issue VII-4.

Mr. D'Amico, I just want to clarify that the underlying dispute in this issue, is this the same issue that's raised under issue I-1 for Verizon's recovery of the cost of transport for traffic it originates where AT&T does not establish an IP at the geographically relevant location?

MR. D'AMICO: Yes, exactly. I think we referred to it the other day as the offset, the transport offset kind of thing.

MR. GOYAL: Same issue, same language?

MR. D'AMICO: Exactly.

MR. GOYAL: That's all I have for VII-4. I would like to skip ahead to issue VII-8, if I could.

Would I be correct in understanding that the traffic to which AT&T's proposed language, or I guess there is no proposed language, but the traffic to which AT&T is referring in its testimony on this issue is traffic that would not be routed

through a Verizon tandem switch?

MR. TALBOTT: That's correct. Traffic that would be on direct end office trunks between AT&T switch and Verizon end office.

MR. GOYAL: Mr. D'Amico, would you be the expert witness on this?

MR. OATES: This is an issue, and I'm sorry if we perhaps discussed it off the record, but we are prepared to withdraw this issue, VII-8, because the dispute, as originally stated, was resolved by virtue of Mr. Talbott's direct rebuttal testimony regarding when AT&T will pay end office versus tandem rates.

The dispute that remains is really subsumed within issue V-2 and/or issue III-5 of the contract language that they have proposed, so the issue no longer needs to stand on its own, in our view.

MR. GOYAL: Could you identify what piece of the issue it is that remains.

MR. OATES: I'm referring to Mr. Talbott's rebuttal testimony. I believe it's AT&T 8, on page